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FISCAL IMPACT STATEMENT

LS 6455

BILL NUMBER: HB 1052

NOTE PREPARED: Nov 26, 2002

BILL AMENDED:

SUBJECT: Sales Tax Exemption for Farm Items.

FIRST AUTHOR: Rep. Foley

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
☐ FEDERAL

IMPACT: State

Summary of Legislation: This bill exempts agricultural field tile, center pivots, and ditch pumps from the Sales Tax if they are used in fields used to produce food or commodities for sale and purchased by farmers.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The bill would require the Department of State Revenue to develop guidelines associated with this proposal. Any impact on the Department would be absorbed using its existing staff and resources.

Explanation of State Revenues: This bill will reduce the amount of revenue the state receives from the 6% Sales Tax. The exemptions in this bill could reduce state Sales Tax revenue by as much as \$325,000 per fiscal year in FY 2004 and FY 2005.

Current law (IC 6-2.5-5-2) exempts transactions involving farm machinery and equipment if the person acquiring the property acquires it for the production, extraction, harvesting, or processing of agricultural commodities. This bill clarifies the exemption to include agricultural field tile, center pivots, and ditch pumps.

Background Information: The estimate above is based on state and national survey data reported in the United States Department of Agriculture's *1998 Farm and Ranch Irrigation Survey*, as adjusted for historic expenditure increases. The survey reported an aggregate of expenditures on irrigation and land improvement costs and did not specifically segregate expenditures on field tile, center pivots, and ditch pumps. Due to these data limitations, the estimate should be considered to represent the upper limit of the proposal's impact

on Sales Tax revenue.

P.L. 192-2002 (ss) increased the Sales Tax rate to 6% and modified the distribution of Sales Tax revenue. The increase becomes effective on December 1, 2002, and the distribution changes become effective on January 1, 2003. After January 1, 2003, Sales Tax revenue will be deposited in the Property Tax Replacement Fund (50%), the State General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Loan Fund (0.033%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: United States Department of Agriculture, *1998 Farm and Ranch Irrigation Survey*.

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